

NEWS RELEASE



OFFICE OF THE UNITED STATES ATTORNEY SOUTHERN DISTRICT OF CALIFORNIA

San Diego, California

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For Immediate Release

NEWS RELEASE SUMMARY - October 13, 2004

United States Attorney Carol C. Lam announced today that JOHN BURNHAM BENJAMIN, the former Treasurer of Peregrine Systems, Inc., entered a guilty plea in San Diego before the Honorable Thomas J. Whelan to a one-count information charging him with Conspiracy to Commit Wire Fraud in connection with his submission of false financial information to secure a \$150,000,000 line of credit for Peregrine. Today's plea is the fifth felony conviction obtained as part the government's ongoing investigation into the collapse of Peregrine.

Peregrine Systems, Inc. is a business software company headquartered in San Diego, California. The information alleges that from its initial public offering (IPO) in 1997 through 2002, Peregrine reported 17 consecutive quarters of revenue growth that met or exceeded Wall Street analysts' expectations. As of June 30, 2001, Peregrine had issued over 162.76 million shares, which were trading at roughly \$29 per share, yielding a market capitalization of roughly \$4.72 billion. On May 6, 2002, Peregrine announced that it was conducting an internal investigation into potential misstatements in its prior financial reports. Peregrine

eventually filed for federal bankruptcy protection, and the company's shareholders lost over \$4 billion in equity.

At today's plea hearing, BENJAMIN admitted that he joined Chief Financial Officer MATTHEW C. GLESS and Assistant Treasurer ILSE CAPPEL (both of whom have previously pled guilty) and others in a conspiracy to provide false information to financial institutions in order to maintain Peregrine's financing arrangements. BENJAMIN participated in the conspiracy by, among other things, providing false and misleading financial information to Fleet Bank, N.A. in January 2002, in order to convince Fleet not to close a \$150,000,000 line of credit that had been extended to Peregrine. The financial statements and cash projections provided to Fleet were false because, among other things, they double-counted certain assets -- a practice known to BENJAMIN and others as the "double dip."

In addition, at the plea hearing, BENJAMIN admitted that Peregrine regularly managed its Days Sales Outstanding (or "DSO") by selling accounts receivable to financial institutions in exchange for a discounted cash payment. BENJAMIN learned that GLESS and CAPPEL had sold impaired, invalid and unenforceable accounts receivable to banks in order to deceptively manipulate Peregrine's DSO. BENJAMIN participated in this aspect of the conspiracy by concealing material information from bank representatives about the validity of a deal underlying one of the sold receivables.

United States Attorney Lam stated: "This plea by the Treasurer of Peregrine demonstrates that the financial fraud at Peregrine ran deep and wide, and that almost nothing Peregrine told its lenders and investors was as it seemed."

The case is the result of an investigation by the Federal Bureau of Investigation, San Diego Division, working cooperatively with the United States Securities and Exchange Commission, Division of Enforcement.

A status hearing is scheduled before Judge Whelan on May 16, 2005.

DEFENDANT JOHN BURNHAM BENJAMIN

SUMMARY OF CHARGES

Conspiracy to commit wire fraud, in violation of Title 18, United States Code, Section 371. The charge of conspiracy to commit wire fraud carries a maximum penalty of 5 years' imprisonment and a \$250,000 fine.

AGENCIES

Federal Bureau of Investigation, San Diego Division

United States Securities and Exchange Commission, Division of Enforcement